

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF PARKER & TARRANT §

This Oil and Gas Lease is entered into this 14th day of JANUARY, 2011, by and between the **W.J. Smelley Trust for Dorothy Smelley & Children** ("Lessor"), whose address is 5060 Cattlebaron Drive, Fort Worth, Texas 76108 and **Titan Operating, LLC** ("Lessee"), whose address is 111 West 4th Street, Suite 300, Fort Worth, Texas 76102.

1. FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and provisions contained herein, Lessor does hereby **LEASE** exclusively unto Lessee the land described below herein referred to as the "Leased Premises" for the purposes of exploring and drilling for, producing, storing, treating, transporting and marketing oil and gas and all substances produced therewith, conferring all rights and easements reasonably necessary or useful for Lessee's operations hereunder. The Leased Premises is described as follows:

320.0 acres of land, more or less, situated in the Mary A. Freeman Survey Abstract No. 458, Texas and Pacific Railway Company Survey, Abstract No. 1505, Parker County, Texas and the Mary A. Freeman Survey Abstract No. 532, Tarrant County, Texas, being more particularly described in that certain Oil and Gas Deed dated June 25, 1979 from W. J. Smelley to the W.J. Smelley Trust for Dorothy Smelley and Children, recorded in Volume 1025, Page 1177, Deed Records, Parker County, Texas.

2. This is a Paid Up Lease. Subject to the other provisions contained herein, this Lease shall remain in force for a term of Eighteen (18) months from the date shown above, hereafter called the "Primary Term" and as long thereafter as oil or gas is produced from the Leased Premises or operations are conducted thereon as herein provided.

3. As royalty, Lessee covenants and agrees: (a) to deliver to the credit of Lessor, in the pipeline to which Lessee may connect its wells or in the absence of pipeline connection, into Lessee's storage facilities the equal to twenty percent (20%) part of all oil produced and saved by Lessee from the Leased Premises, Lessor's interest to bear the same percent of the costs of treating oil to render it marketable; (b) to pay Lessor on gas and casinghead gas produced from the Leased Premises (1) when sold by Lessee, twenty percent (20%) of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off of the Leased Premises or in the manufacture of gasoline or other products, the market value, at the mouth of well of the same percent of such gas and casinghead gas. If gas or other substances is delivered to the purchaser off the Leased Premises, Lessor and Lessee shall each bear its proportionate share of the costs to deliver such gas, including charges for compression, transportation, marketing or otherwise. However, in no event will Lessor ever be required to pay for or incur any out of pocket cost or expense relating to any of Lessee's drilling, development or production operations under this Lease.

4. Notwithstanding any other provision of this Lease to the contrary, this Lease will cover only oil, gas and associated hydrocarbons and shall not cover any other substances or minerals.

5. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit, which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may

become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of lessee to release, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph, with consequent allocation of production as herein provided. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

6. If at any time, whether before or after the expiration of the primary term, Lessee shall drill a well or wells on said lands but said wells are shut-in, waiting on completion, pipeline, lack of market or other good cause resulting in gas not being produced and sold or used and this Lease is not being continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well is shut-in or the date this Lease ceases to be continued in force by some other provision hereof, whichever is the later date, and prior to the expiration of such ninety (90) day period and annually thereafter, Lessee may pay or tender to Lessor an advance royalty called "Shut-In Gas Royalty" in an amount equal to \$10.00 per acre for the acreage then held under this Lease by such well and so long as such payments or tenders are so made this Lease shall continue in force and effect and it shall be considered that gas is being produced from the Leased Premises within the meaning of Paragraph 2 of this Lease. Subsequent to the first two (2) years the lease is held by "Shut-In Gas Royalty" the amount paid per acre to maintain the lease under this provision shall increase from \$10.00 per acre to \$50.00 per acre. If a well is drilled into the Barnett Shale Formation, but has not been completed, it shall be deemed capable of producing gas pursuant to the terms of this paragraph.

7. If at the expiration of the Primary Term oil or gas is not being produced from the Leased Premises or lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a well, either as a producer or a dry hole, prior to the end of the Primary Term, this Lease shall remain in force so long as operations are continued in good faith and with reasonable diligence and not more than ninety (90) days shall elapse between the completion or abandonment of a well and the commencement of operations to drill a subsequent well and, if such operations result in the production of oil or gas, so long thereafter as oil and gas is produced from the Leased Premises.

8. If oil or gas is produced from the Leased Premises or lands pooled therewith and production thereof should cease for any reason after the expiration of the Primary Term, Lessee shall have the right at any time within ninety (90) days from the date of cessation of production to commence reworking or additional drilling operations in an effort to resume production, in which event this Lease shall remain in force so long as such operations are conducted in good faith and with reasonable diligence with no cessation of operations of more than 90 consecutive days and if such operations result in the production of oil or gas, so long thereafter as oil or gas is produced from the Leased Premises or lands pooled therewith.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to their heirs, personal representatives, successors, and assigns; however, no change in the ownership of the land, rentals or royalty or the division thereof however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership or the division of the land or royalties shall be binding upon the Lessee for any purpose until thirty (30) days after Lessee shall have been furnished the instrument or instruments or recorded copies thereof resulting in such change.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor agrees that Lessee shall have the right at any time to pay or reduce for Lessor either before or after maturity any mortgage, taxes or other liens or interests and other charges against the Leased Premises not subordinated to this Lease and to be subordinated to the rights of the holder thereof and to deduct the amounts so paid from royalties or other amounts due or which may become due to Lessor under this Lease. If Lessor owns less interest in the mineral estate in the Leased Premises than the entire and undivided fee simple estate, or no interest therein, then the lease bonus, royalties and other payments herein provided shall be paid to Lessor only in the proportion which Lessor's interest, if any, bears to the whole and undivided fee simple estate. In the event it is determined that the bonus amount paid by Lessee to Lessor is other than the amount due Lessor then, Lessor agrees to refund anything in excess of the true amount due to Lessor.

11. All Lessee's operations on the Leased Premises will be subject to and will be conducted in compliance with all federal, state, county, city and other laws, rules, ordinances, regulations and requirements. Lessee will assume all costs of insuring that its operations comply with all applicable laws. This Lease shall not be terminated in whole or in part, nor Lessee held liable for damages for failure to comply with the terms herein set forth, if compliance is prevented by or such failure is a result of any law, order, rule or regulation of applicable federal, state, county or other governmental authority or deed restriction and if not otherwise being maintained herein, the Primary Term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause and this Lease may be extended thereafter by operations and/or production as provided herein as if such delay had not occurred.

12. Whether or not this Lease is executed by all parties named herein as Lessor, this Lease shall be binding upon and inure to the benefit of all parties who execute it (whether or not named herein) and all parties from whom each Lessor has authority to execute this Lease.

13. Lessee indemnifies and holds Lessor harmless from and against any claims, costs and liabilities such Lessor may suffer whether for injury or death to any person, injury or damage to any property, failure to adhere to or comply with any applicable laws, rules or regulations or demand for monetary damages (collectively the "Claims") to the extent that such Claims relate to or arises from Lessee's operations under this Lease or Lessee's breach of its obligations under this Lease.

14. No waiver by a party hereto of any breach of a term, condition or covenant of this Lease will be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

15. In the event any provision of this Lease is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity shall not affect any other provision thereof and this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

16. In the event of any legal action or proceeding between the parties seeking to enforce the terms of this Lease, the prevailing party in such action shall be entitled to recover, in addition to all remedies available to it at law, all of its costs and expenses in connection therewith, including attorney's fees and costs.

17. This Lease contains the entire agreement of the parties regarding the subject matter hereof and supercedes any and all prior agreements, arrangements or understandings between the parties regarding such subject matter. This Lease cannot be changed orally and may be amended only by an instrument in writing executed by the parties.

18. This Lease may be executed in one or more executed and acknowledged counterparts or ratifications hereof each of which shall be deemed to be acceptable and all of which together shall constitute one and the same document.

19. Any notice required or permitted to be given hereunder must be in writing and must be sent to the parties via personal delivery or certified mail only at their addresses set forth in this Lease or at another address upon prior written notice of the same.

20. NO SURFACE OPERATIONS. Lessee shall not enter upon the leased premises, erect, set up or place any structure or building on the leased premises, or conduct any operations upon the surface of the leased premises without the written consent of Lessor. Lessee shall not interfere with any right-of-way, water well, watercourse, pond or other impoundment used by Lessor. Lessee shall only develop the leased premises by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands in such manner that the path of the wellbore is under and through the leased premises and the bottom-hole or terminus is on the leased premises or lands pooled therewith.

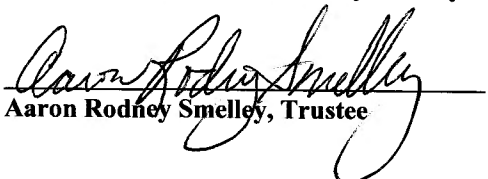
21. No part of the Leased Premises shall be pooled, unless fifty percent (50%) of the Leased Premises are included in any pooled unit formed, in accordance with the provisions of paragraph five (5) above.

22. At the expiration of the primary term, this Lease shall automatically terminate as to all lands except those included in a governmental proration unit attributable to a well then producing oil and/or gas in paying quantities unless operations are then being conducted in accordance with provisions of paragraphs seven (7) and eight (8) above.

23. See Additional Provisions on Addendum attached hereto and incorporated herein for all purposes.

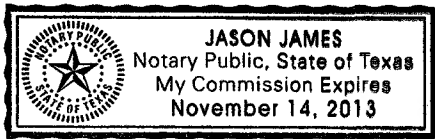
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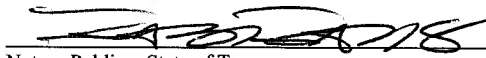
W.J. Smelley Trust for Dorothy Smelley & Children


Aaron Rodney Smelley, Trustee

STATE OF TEXAS
COUNTY OF PARKER

This instrument was acknowledged before me on this 14th day of JANUARY, 2011, by Aaron Rodney Smelley as Trustee of the W.J. Smelley Trust for Dorothy Smelley & Children, on behalf of said trust.




Notary Public – State of Texas

ADDENDUM TO OIL AND GAS LEASE

This Addendum is a part of that certain Oil and Gas Lease identified above by date and parties covering 320 acres, more or less, out of the Mary A. Freeman Survey Abstract No. 458, Texas and Pacific Railway Company Survey, Abstract No. 1505, Parker County, Texas and the Mary A. Freeman Survey Abstract No. 532, Tarrant County, Texas, to the same extent as if the provisions hereof had originally been written in said lease. In the event of a conflict between the lease provisions and the provisions provided in this Addendum, the provisions of this Addendum shall be binding.

1. No operations of any kind shall be conducted upon the surface of the leased premises without the prior written consent of Lessor.
2. Lessor shall not bear any costs incurred on the Lease by Lessee to make either oil or gas marketable. Lessor's royalty will, however, bear its share of production used as "plant fuel" in a gas processing plant by a non-affiliated third party purchaser of gas produced from the leased premises and sold on the Lease to such third party purchaser. Additionally, Lessor shall never be charged nor shall Lessor's royalty bear any costs incurred by Lessee on or off the leased premises in compressing, treating, or transporting oil or gas to the point of sale. If Lessee processes gas produced from the leased premises in a plant owned or controlled by Lessee or if Lessee sells gas to any party other than a non-affiliated third party in an arms length sale, then Lessor's royalty shall be based on the higher of the proceeds received by the Lessee if sold on the market value of the gas at the mouth of the well.
3. Lessee shall not have authority to create pooled units for vertical wellbores producing oil in excess of 40 acres unless the Texas Railroad Commission has adopted Field Rules for the formation from which oil is produced which prescribe prorated units greater than 40 acres.
4. Lessee agrees to provide Lessor with a copy of any Declaration of Pooled Unit created by Lessee which includes all or a part of the leased premises. Lessee shall mail Lessor a copy of each such Declaration of Pooled Unit within sixty (60) days of such Declaration of Pooled Unit being recorded in the public records of Parker County, Texas. Lessee shall pay Lessor a late fee of \$5.00 per day for each day after the beforementioned sixty (60) day period that Lessee fails to deliver a copy of a recorded Declaration of Pooled Unit to Lessor.
5. If Lessee exercise the right to create a pooled unit for gas as provided in Section 5 of the Lease, Lessee stipulates and agrees no less than 50% of the leased premises will be included in any such pooled unit for gas production.
6. This Lease shall not be maintained by the payment of "Shut-in Gas Royalty" payment for more than a total of four (4) years. Moreover, if oil or gas is not being produced in commercial quantities at the end of the fourth year of Shut-in Royalty payments, this Lease shall automatically expire.
7. Subject to the provisions hereof for Shut-in Royalty payment, it is stipulated and agreed that the end of the primary term, this Lease shall expire and terminate as to
 - a) Any part of the leased premises not then included within a proration unit or declared pooled unit; and
 - b) All depths 100 feet below the deepest producing horizon in any proration unit or declared pooled unit containing part of the leased premises.
8. Following the expiration of the primary term and subject to the Shut-in Royalty payment provisions hereinabove, should production cease from any well this Lease shall terminate as to the part of the leased premises located within the proration unit or declared pooled unit for such well unless Lessee commences within sixty (60) days of such cessation of production operations to restore production from said well or to drill a replacement well and so long thereafter as Lessee does not allow more than sixty (60) consecutive days to lapse without conducting actual operations until production is restored.
9. Lessee agrees for itself, its successors and assigns, to furnish Lessor with copies of the following:
 - a) Any title opinion prepared for Lessee covering any part of the leased premises.
 - b) Any assignment of an interest in the Lease.
 - c) Any production sales contract under which Lessee sells oil or gas produced from the leased premises or land pooled therewith.
 - d) Daily drilling and completion reports on any well whose proration unit or declared pooled unit contains part of the leased premises.
10. Should Lessee fail to provide any of the items specified in item 9 above within sixty (60) days of receiving a written request for such information from Lessor, Lessee agrees to pay Lessor a late delivery fee of \$25.00 per day for each day after said sixty (60) day request period that Lessee fails to provide the requested information.

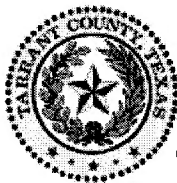
After Recording Return To:

Norwood Land Services, LLC
6421 Camp Bowie Blvd., Ste 312
Fort Worth, TX 76116

Doc# 759808 Fees: \$28.00
01/28/2011 8:21AM # Pages 4
Filed & Recorded in Official Records of
PARKER COUNTY, TEXAS
TEANE ROBINSON, COUNTY CLERK

MARY LOUISE GARCIA

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

NORWOOD LAND SERVICES
6421 CAMP BOWIE BLVD, STE 312
FT WORTH, TX 76116

Submitter: NORWOOD LAND SERVICES

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 3/3/2011 3:43 PM

Instrument #: D211051503

LSE

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PGS

\$28.00

By: _____

Mary Louise Garcia

D211051503

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: SLDAVES